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SUBJECT: CZECH REPUBLIC ON EU CHEMICALS POLICY (REACH):  
DON'T LET THE PERFECT BE THE ENEMY OF THE GOOD

11. (U) SUMMARY: Experts at the Czech Ministry of Industry and Trade believe that despite the admitted flaws in the draft EU REACH legislation, all EU member states are ready to press on with the legislation in its current format 'to get the ball rolling,' and necessary alterations to the agreement would be added as amendments in the future. They described flaws in the draft legislation as lacking proper internal definitions, being overly complicated and expensive for entrepreneurs, and potentially violating the trade secret rights of businesses. They estimated that it would take at least 18 months from the passage of the legislation to set up an operational REACH implementation entity in Helsinki. END SUMMARY

12. (U) Econoff met with Ministry of Industry and Trade Director of the Department of Light Industry, Blanka Ksandrova, and Head of the Chemical and Pharmaceutical Department Eva Vesela to survey current Czech views on the draft EU REACH legislation, which would require health and environmental assessments for more than 30,000 chemicals and substances. Ksandrova and Vesela agreed that the draft legislation in its current form is less than perfect, but said that all EU member states are likely to pull the trigger on a political decision to pass the legislation at the Competitiveness Council meeting November 27-29 so that the registration entity can start the long process of establishing their headquarters in Helsinki and working out the practicalities of running day-to-day operations. Ksandrova estimated that this process would take at least 18 months. She said that changes to the 1,000 plus pages of legislation are inevitable, but attempts to put together a perfect package are fruitless and are merely delaying the standing-up of the institution. However, Ksandrova and Vesela both despaired over some of the more glaring problems with the current legislation: registration requirements may violate firms' rights to privacy and/or trade secrets; some of the important terms relating to impact on public health remain undefined (such as what constitutes an 'endocrine disruptor').

13. (U) Ksandrova noted that Czech industries, labor unions, and environmental NGOs are actively lobbying the government on the pending EU REACH legislation. Key sectors in the Czech Republic that could be adversely affected by the REACH directive are the auto, paper, and mining industries - three traditionally strong sectors in the economy, where producers are worried about the cost of REACH implementation and limitations it might impose on their operations. They are pressing for exemptions from REACH, claiming that it will cripple their worldwide competitiveness.

14. (SBU) The chemical industry is also concerned about the REACH directive, but Ksandrova noted that there is a feeling in the Czech Republic that chemical companies are "public enemy number one" because of prior environmental disasters and lingering feelings of resentment from the lack of concern for public health that the industry showed during the communist era. Therefore, the chemical companies have been less strident in their public opposition to REACH. Ksandrova opined that if companies were forced to abandon some hazardous materials, they would find alternatives, but have not done so previously because the existing regulatory regime did little to encourage them to be creative.

15. (SBU) Ksandrova expressed great concern that the REACH process will be prohibitively expensive for entrepreneurs who may want to bring a new product to the market, and that the regulations will be overwhelmingly complicated. She said that the handbook to explain the registration process would likely be over 1,000 pages. Although she had no specific proposals to report, she said that there is a discussion to have either the EU or the Czech government pay part of the registration costs to minimize the impact on small and medium enterprises, which begs the question: what about support to non-EU suppliers?  
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